STATE OF COLORADO DEPARTMENT OF THE TREASURY

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Department of the Treasury
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MISSION STATEMENT

The Colorado State Treasury is the constitutional custodian of the public's funds. It is the Treasury's duty to manage and account for taxpayer dollars from the time they are received until the time they are disbursed. The Treasury's staff is committed to safeguarding and managing the people's money with the same diligence and care as they do their own.

VISION STATEMENT

The Colorado State Treasury staff will continually strive to better serve the taxpayers of Colorado. Central to this goal is the continued introduction and use of new technologies to provide improved access to services for both taxpayers and other governmental agencies.

MAJOR FUNCTIONS OF THE TREASURY DEPARTMENT

The Treasury Department is organized into five distinct divisions:

- Administration (encompassing Accounting, Cash Management, Banking, Investments, Debt Management)
- CLIMBER
- SecureSavings
- Unclaimed Property
- Special Purpose

The State Treasurer and his staff serve Colorado's taxpayers by providing banking and investment services for all funds deposited with the State Treasury. As funds are deposited, they are invested in statutorily-authorized investments. Simultaneously, the Treasury ensures that sufficient funds are maintained in cash accounts to meet the State's daily cash needs. Income earned on investments augments the State's revenues from taxes and fees, and decreases the tax burden on Coloradans.

The Department provides Debt Management services on behalf of the State, pursuing low-interest financing to keep costs down. The Department oversees the Unclaimed Property program, also known as the Great Colorado Payback, returning millions of dollars every year to rightful owners or heirs across the state.

In addition, the Department works closely with appointed boards to execute programs, such as CLIMBER, designed to aid small businesses impacted by the pandemic; and Secure Savings, a portable retirement savings plan for Coloradans who don't currently have access to such a plan.

Administration

Accounting

On a daily basis, the accounting section records and reconciles all the cash that flows into and out of the State's operating account. The accounting section also manages the disbursement of flow-through funds such as the Highway User's Tax apportionment, Minerals Management funds, and miscellaneous federal funds. Within the Treasury, the accounting staff has significant additional responsibilities. These include:

- Calculation and allocation of monthly investment earnings to those funds eligible to earn interest
- Daily reconciliation of the State's cash and investments
- Accounting for and distributing the payments the State receives under the Master Tobacco Settlement Agreement and the Tobacco Tax moneys collected under Amendment 35 and Proposition EE
- Management of the Property Tax Deferral Program for Seniors and Active Military Personnel
- Verifying and disbursing payments for the Senior Citizen and Disabled Veteran Property Tax Exemption Program
- Issuing cash flow notes on behalf of school districts participating in the State's interest-free school loan program, including ongoing monitoring of actual vs. projected cash flow information
- Administering the K-12 school district intercept program and the higher education intercept program
- Administering the Charter School Intercept and Moral Obligation Credit Enhancement Program
- Accounting for the investment of custodial funds from state-issued Certificates of Participation and Enterprise Revenue Bonds deposited with the Treasury

The Accounting section also provides cashier services for the State. Cashiers are responsible for daily tracking of all cash receipts, monitoring deposits made by other agencies into the State's operating account, updating the State's bank balances throughout the course of each day, and initiating electronic transfers from the State to recipients of state and fiduciary funds.

Finally, the Accounting section handles the department's internal administrative functions such as budgeting, personnel, payroll, accounts payable, and purchasing. Treasury currently does not have a dedicated IT staff member; and, therefore, has an agreement with the Governor's Office of Information Technology to host Treasury's server and to provide IT support.

Cash Management

Treasury's Banking Relationship Manager manages the State's banking service agreements. The State currently maintains agreements with five primary banks:

- Keybank provides lockbox services for various State agencies, including Colorado Parks and Wildlife, the Department of Labor and Employment, the Department of Health Care Policy and Financing, the Department of Regulatory Agencies (Division of Insurance), History Colorado, and the Office of Information Technology

- Wells Fargo maintains the State's operating and payables accounts, as well as transactional accounts in remote areas of the State from which deposits are regularly swept to the main operating account
- US Bank provides debit card and direct deposit services to the State's unemployed citizens through the Department of Labor and Employment
- JPMorgan Chase provides online payment services for the Department of Revenue for tax payments
- Principal Bank provides custody and safekeeping services.

Wells Fargo sold its Institutional Trust Division to Principal Bank, and custodial services transitioned in early 2022. On-going banking efforts include ensuring effective bank services and controls for State agencies, evaluation of technological changes to reduce costs and increase efficiency, closing unused or redundant bank accounts, opening new accounts or cash management services for State agencies, and assisting with the resolution of any concerns or problems between State agencies and the banks.

The Banking Relationship Manager is the State's administrator for the Cash Management Improvement Act (CMIA) agreement with the federal government. CMIA regulates the transfer of federal grant funds among federal and State agencies. CMIA regulations require State agencies to request reimbursement from federal agencies for grant disbursements following a process that minimizes bank balances, avoids negative balances, and eliminates interest earnings. Excess or deficit interest earnings, if any, are calculated each year and paid by the entity with the liability. The Banking Relationship Manager manages the CMIA on behalf of State agencies and is the primary contact for the Federal Management Service. Pursuant to federal regulations, Treasury identifies grants to be included in the agreement (those in excess of $146.0 million) and calculates State disbursement patterns that are the basis of the reimbursement schedules. The Treasury negotiates the annual agreement and prepares the annual report of excess or deficit interest earnings.

Debt Management

Senate Bill 12-150, codified at §24-36-121, C.R.S., et seq., consolidated the State's debt management activities and assigned them to the Department. In this role, Treasury coordinates and oversees aspects of debt management related to the structuring of financial offerings on behalf of State departments, agencies, and other State entities. Additionally, the Treasurer's Office continually analyzes the State's outstanding financial obligations to identify refinancing opportunities in order to produce both present value and cash flow savings for the State.

As part of this work, Treasury works in coordination with the State Attorney General to ensure post-issuance compliance required by both the Securities Exchange Commission (SEC) and the Internal Revenue Service (IRS).

Short-term Note Issuance

In addition to oversight of longer-term financial obligations, Treasury directs short-term note issuances on behalf of the State, using General Tax Revenue Anticipation Notes (GTRANs). The Treasury does similar work on behalf of school districts, with Education Tax Revenue Anticipation Notes (ETRANs).

Due to the irregular flows of revenues into the State, Treasury issues short-term tax and revenue anticipation notes. This financing provides funds to meet the State's liquidity needs in months when the State's General Fund experiences a deficit. Investment earnings and premium pays the interest on the Notes, as well as costs of issuance. Notes were not issued in FY 2021-22 due to the State's positive cash position, with no anticipation of need in FY 2022-23.

In July 2021, the Treasury issued $370 million for the ETRANs 2021 Series A short-term notes to fund cash flow shortages in school districts. In January 2022, an additional issuance of $400 million, the 2021 Series B, for this program occurred. Both sets of Notes matured in June 2022. In July 2022, the Treasury issued $350 million for the ETRANs 2022 Series A notes to fund the 18 participating school districts for the FY 2022-23 school year. An additional anticipated issuance of Series B notes will occur in early 2023. The General Fund, per statute, pays the interest due on the notes, but the repayment of principal is from the property tax collections of the participating local school districts. As with past issuances, both note series will mature in June 2023.

Higher Education Lease Purchase Agreements
Section 23-1-106.3, C.R.S., enacted in 2008, authorizes the State Treasurer to execute lease purchase agreements on behalf of the State for capital projects at certain state-supported institutions of higher education. The legislation sets the term of maturity and maximum annual lease payment amounts. The repayment sources for these transactions are the General Fund and the Higher Education Federal Mineral Lease Revenues Fund created in §23-19.9-102, C.R.S. $230.8 million in Certificates of Participation (COPs) were issued in 2008. The proceeds funded 12 projects. Unspent proceeds from these projects then funded an additional 11 projects at higher education institutions in 2012.

A portion of the 2008 COPs were restructured to realize both budgetary and present value savings. $35.9 million of refunding higher education COPs were issued in December 2009, which saved the State $12.8 million from FY 2009-10 through FY 2011-12. In November 2014, $110.5 million of refunding higher education COPs were issued, which saved the State nearly $12 million over the life of the borrowing.

Building Excellent Schools Today (BEST) Lease Purchase Agreements
Since its creation, the BEST program has awarded approximately $2.5 billion in grants to more than 525 Colorado schools, improving health, safety, and security for nearly 300,000 students. The General Assembly enacted the BEST Act (§22-43.7-101, C.R.S., et seq.) in 2008. The legislation authorizes the State Treasurer to execute lease purchase agreements on behalf of the State for certain kindergarten through twelfth grade public school capital projects.

The Public School Capital Construction Assistance Board (CCAB) recommends projects to be funded through these lease purchase agreements. Annual maximum lease payments were $20 million at the start of the program and have been continually adjusted upwards in the intervening years. The current maximum amount is $125 million. The State is responsible for funding lease payments not to exceed half the total. School districts, charter schools, or Boards of Cooperative Educational Services provide "matching" amounts to make any additional lease payments up to the total. In FY 2021-22, nine school districts were able to take advantage of the low interest rate environment and refinance a mixture of BEST 2008, 2009, 2010, and 2011 series matching money bonds. This refinancing allowed those school districts to save an additional $5.6 million over the life of the bonds.

SB17-267 Rural Colorado Certificates of Participation (COPs)
The Department has issued all four tranches of this $2 billion program for the State's roads and highways. (See §24-82-1301 – 1303, C.R.S.). Each tranche is for $500 million. The first tranche was issued in the fall of 2018, and additional tranches were issued in the spring of 2020 and 2021. The final tranche was issued in June 2022 to complete the financing requirements for Colorado Department of Transportation (CDOT).

Investments

The Investment Division actively manages distinct investment portfolios with the primary objectives of, in order of importance: legality, safety, liquidity and yield. For each of the portfolios it manages, the Department, in addition to constitutional and statutory guidance, has developed a written investment policy explicitly stating the appropriate goals, investment standards, level of liquidity, degree of credit risk, duration or average life, and other performance measures.

A critical aspect of the implementation of these policies and the daily functioning of the Investment Division is the use of an online data and analytical system, Bloomberg. The Bloomberg system assists the investment managers in identifying and analyzing specific investments for either purchase or sales. Absent access to the Bloomberg system and subscriptions to independent, third-party credit research services and an electronic trading system, the Investment Division's capacity to meet its constitutional, statutory and policy objectives would be virtually impossible.

Treasurer's Pooled Funds (TPOOL)
Provides State agencies with the liquidity of a money market fund, while normally generating a higher yield than a typical money market fund. Most State funds, including the General Fund, are held in the TPOOL.

Ongoing statutory changes oblige many enterprises to remit their tax remittances to the Department of Revenue (DOR) electronically. With electronic remittance, funds are processed more quickly, providing investment officers with more accurate and timely cash balance information. This improved information allows the investment division to better invest the money on deposit with the Treasury, while still maintaining sufficient liquidity to meet the State's obligations.

The Public School Permanent Fund (PSPF)
This is a constitutionally-mandated permanent trust. The principal of the Fund is made up of money earned from the sale or rental of lands and mineral royalties held in the school land trust, also known as public school lands income. A unique feature of this fund is that the General Assembly must make up any capital losses the Fund may suffer from the General Fund. To minimize the likelihood of such an event, the portfolio is actively structured to preserve principal and, only then, to maximize income.

Several changes were made to the distribution of public school lands income during the 2009 legislative session. Beginning in August 2009, 50% of the gross public school lands income is credited to the Public School Capital Construction Assistance Fund created in §22-43.7-104, C.R.S., part of the BEST Act. In addition, for a portion of FY 2008-09 and all of FY 2009-10 and FY 2010-11, all public school lands income that was not transferred to the Public School Capital Assistance Fund or used for the administration of the State Land Board plus all of the fund's investment earnings, were transferred to the State Public School Fund, which provides moneys for the School Finance Act. Therefore, no deposits were being made into the PSPF.

In the 2011 legislative session, Senate Bill (SB) 11-230 continued this distribution through the end of FY 2012-13; however, in the 2012 legislative session, SB 12-145 capped the amount of monies to be transferred to the State Public School Fund for FY 2011-12 only. This allowed $38.3 million to be deposited into the PSPF. In the 2013 legislative session, SB 13-112 capped the amount of monies to be transferred to the State Public School Fund for FY 2012-13. This bill allowed $20.8 million to be deposited into the PSPF. Per SB 13-260, for FY 2013-14 and FY 2014-15, the State Public School Fund received only the first $16 million of the fund's investment earnings.

Beginning in FY 2015-16, per SB 15-267, the first $21 million of the fund's investment earnings is transferred to the State Public School Fund with the balance of the public school lands income not transferred to the Public School Capital Construction Assistance Fund or used for the administration of the State Land Board being deposited into the PSPF.

House Bill (HB) 15-1367 changed the language in §39-28.8-305, C.R.S. so that retail marijuana excise tax collected over $40 million is transferred to the PSPF. The first such transfer occurred in FY 2015-16 in the amount of $2.45 million; in FY 2016-17, $31.56 million was deposited; and, in FY 2017-18, $27.75 million was deposited. As of July 1, 2018, HB 18-1070 changed the amount of retail marijuana excise tax revenue credited to the Public School Capital Construction Assistance Fund from the first $40 million, with the remainder credited to the PSPF, to the greater of 90% of the revenue annually collected or the first $40 million of such revenue, with the remainder to the PSPF. In FY 2018-19, $5.85 million of retail marijuana excise tax revenue was deposited into the PSPF. As of July 1, 2019, HB 19-1055 required all retail marijuana excise tax revenue to be credited to the Public School Capital Construction Assistance Fund, eliminating any credits to the PSPF. In FY 2015-16, total revenue of $68.5 million was deposited into the Permanent Fund; in FY 2016-17, $85.9 million was deposited, including $4.2 million in realized capital gains; in FY 2017-18, $83.4 million was deposited; in FY 2018-19, $72.0 million was deposited; and in FY 2019-20, $70.6 million was deposited, including $8.9 million in realized capital gains.

During the 2020 legislative session, HB 20-1418 changed the distribution of State Land Board rents and royalties revenue for FY 2020-21 only so that revenue that would normally be credited to the Permanent Fund will be credited instead to the State Public School Fund. The bill also redirected a portion of the marijuana retail sales tax to the State Public School Fund. Therefore, in FY 2020-21, the PSPF benefitted only from $7.3 million in realized capital gains. Then, again in FY 2021-22, $96.4 million of revenue was deposited into the PSPF.

Public School Fund Investment Board (PSFIB)

In the 2016 legislative session, SB 16-035 created the Board, which is made up of the Treasurer as Chair of the Board, three appointees by the Treasurer, and a final seat held by one of the Commissioners of the Colorado State Land Board. The bill was designed to enable the Public School Permanent Fund to be invested in assets in addition to fixed income assets. Allowed investments include equity mutual funds, equity-indexed funds, and other equity investments that do not represent an investment in an individual corporation. Pursuant to the Board's investment policy, Treasury manages a portion of the Fund's investments, the Market Duration Bond Portfolio. The bill also changed the distribution of income beginning in FY 2017-18. For FY 2017-18 and FY 2018-19, the first $21 million after the PSFIB's expenses are paid continues to be transferred to the State Public School Fund; however, any amount in excess of $21 million, up to $10 million, was to be paid to the Public School Capital Construction Assistance Fund; and any amount in excess of $31 million was to be paid to the Public School Permanent Fund. The actual amount of the FY 2017-18 transfer to the Public School Capital Construction Assistance Fund was $4.3 million; and the FY 2018-19 transfer was $8.2 million.

For FY 2019-20, and each fiscal year thereafter, any amount in excess of $21 million, up to $20 million, is to be paid to the Public School Capital Construction Assistance Fund; and any amount in excess of $41 million is to be paid to the Public School Permanent Fund. The actual amount of the FY 2019-20 transfer to the Public School Capital Construction Assistance Fund was $9.4 million; in FY 2020-21, it was $9.3 million; and, in FY 2021-22, it was $10.3 million.

The Unclaimed Property Tourism Promotion Trust Fund (UPTPTF)

This fund was created by §38-13-801.5, C.R.S. The fund consists of all proceeds collected through the sale of securities in the custody of the State Treasurer as the administrator of Unclaimed Property. The principal of this fund is only to be expended to pay claims. Interest earned from the deposit and investment of the monies is credited to the Colorado State Fair Authority Cash Fund, the Agriculture Management Fund, and the Colorado Travel and Tourism Promotion Fund. $5.0 million of the UPTPTF is currently designated as a component of the State's Emergency Reserve.

CLIMBER Small Business Recovery Loan Program

The Colorado Loans for Increasing Main Street Business Economic Recovery Act, or CLIMBER Loan Program, leveraging up to $250 million for loans for small businesses over the next two years, is designed to preserve at-risk jobs across the State. CLIMBER was created by HB 20-1413, codified at §24-36-201, et seq., C.R.S. While federal resources have provided a much-needed lifeline for many Colorado businesses, the State anticipated that additional support continues to be necessary for small businesses that have less capacity and fewer borrowing opportunities to weather the long-term effects of the economic downturn than medium to large sized businesses.

The CLIMBER fund provides low-interest ,working capital loans, ranging in size from $10,000 to $500,000, to Colorado small businesses with up to 99 employees that had a record of accomplishment of success prior to the pandemic. A five-member oversight board chaired by the State Treasurer manages the CLIMBER loan fund. The Director of the Minority Business Office in the Colorado Office of Economic Development and International Trade (OEDIT) is a Board member specified in statute. The three other members of the Board are appointees of the Governor, the Senate President, and the Speaker of the House, respectively. The CLIMBER oversight board has created policies and procedures to enable the Program to meet its legislative goals of promoting economic recovery for the State, with a goal of saving Colorado jobs and providing equitable access to capital across all 64 counties, recognizing that certain businesses and communities that were historically underserved, disadvantaged, and disproportionately impacted by the COVID-19 pandemic.

Funds come from the sale of insurance premium tax credits. The first tranche of fundraising includes five contributory institutions making up $22.5 million. With the inclusion of the State's first loss capital of $5.625 million, a total of $28.125 million is available for the loan participation and direct lending capital tools. Adding $3 million provided for the Credit Enhancement tool leverages an additional potential of $12 million from the various lenders borrowers can use, and brings a total first tranche of loanable funds to $43.125 million. Presently, there are 13 lenders participating in the program; with $7.635 million of Direct Lender Capital (DLC) loans deployed to these institutions, with an additional $3.812 million lent directly to businesses.

Colorado SecureSavings Program

In 2019, SB 19-173 created the Colorado SecureSavings Board in the Treasurer's Office to study the costs to the state of insufficient retirement savings and provide three approaches to increasing retirement savings in Colorado. The Board found that over 40% of Coloradans do not have access to retirement savings at work, and that a state-facilitated automatic enrollment individual retirement account program is the best option for Colorado. The Board recommended the establishment of such a program, coupled with the greater use of financial education tools in the state. These recommendations were implemented in 2020 with the passage of SB 20-200 which renamed the board the Colorado SecureSavings Program Board and directed the Board to create and implement the Colorado SecureSavings Program.

The Colorado SecureSavings Program (CSSP) is codified at §24-54.3-101, C.R.S., et seq., to close the retirement savings gap for private sector workers, and ensure all Colorado residents have access to the wealth building tools necessary for strong financial health. The law requires the Department to design and implement a retirement program utilizing partnerships in the private sector that will enroll approximately one million uncovered workers across the state. Implementation and design included hiring program staff, procuring a consulting team, as well as investment managers and a program administrator, developing an investment policy statement, and marketing the program to employers across the state.

In FY 2021-22, several critical milestones were achieved under the guidance of the Program's professional staff:

- CSSP hired professional staff to conduct outreach, perform data analysis, and provide high quality administrative services to savers, Board members, and Program vendors
- A Program Administrator was selected through a public procurement process, and the contract was finalized
- Development of a multi-state governance arrangement with Colorado as the Lead State began

To date in FY 2022-23, the following milestones have been reached under the guidance of the Program's professional staff:

- Investment Managers have been selected through a public procurement process
- Administrative rules have been developed, approved by the Board, and finalized
- A statewide marketing and outreach strategy has been developed and approved by the Program Board
- A multi-state governance arrangement has been negotiated with several potential partner states.
- All Program design elements have been finalized, and the Program is scheduled to begin implementation as scheduled in January 2023

- A Pilot Program was launched in October 2022 with 20+ employers and nearly 2,000 employees from all regions of the state
- An enrollment and saver platform for all participating employers and savers was developed that is accessible, easy to use, and requires minimal administrative work

In the remainder of FY 2022-23, and in FY 2023-24, CSSP expects to accomplish the following goals:
- Officially begin Program implementation and send notices to all impacted employers directly at multiple points during calendar year 2023
- Complete partnership agreement with the State of New Mexico, and pursue partnership opportunities with additional states
- Build an efficient, accessible, and user-friendly platform to facilitate participant enrollment, manage contributions, and verify compliance for employers opting out
- Coordinate with the Colorado Department of Labor and Employment to develop and implement an enforcement process that will begin in early 2024
- Support the CSSP Board as it shifts from Program development to oversight, and ensure it provides high quality oversight of all aspects of the Program
- Continue performing stakeholder outreach and education to ensure all impacted businesses and individuals understand the Program requirements, and make informed decisions regarding their benefit plans and retirement options

In addition to the program design work, program staff have begun outreach to key stakeholders, employer groups, and community organizations highlighting progress and communicating timelines and anticipated program expectations. Additionally, final administrative rules for the Program will be enacted by the end of 2022. Program staff have worked to ensure all facets of the program are communicated transparently, and community participation is high during the design phases. Public board meetings often have upwards of 100 attendees from the general public.

Program staff has worked strategically to accelerate the timeline for the program to reach self-sufficiency. A pilot version of the program launched in October 2022, and formal enrollment is scheduled to begin in January 2023. Full implementation of the program is expected to take place over 1.5 years, cutting the implementation timeline when compared to similar programs elsewhere by as much as 60%. Consequently, State funding needs for CSSP are anticipated to decline sooner as a result. The timeline to self-sufficiency projected in 2020 was based on the assumption of enrollment taking four years from the start of the first enrollment wave. Program staff and vendors believe that a shorter timeline can be accomplished without sacrificing service quality based on the experiences and best practices identified by other state programs.

As part of that effort, CSSP continues to pursue a partnership opportunity with the State of New Mexico to share program administration and investment management services for program participants. This partnership is expected to provide an additional 400,000 savers, increasing the projected assets under management for the program, which reduces fees for participants and, as a result, helps shorten the timeline needed for CSSP to reach self-sufficiency. This partnership represents the first of its kind for auto enroll IRA programs and would make the program the first truly portable benefit to move across state lines, establishing Colorado as a leader in this area. Pursuit of this partnership opportunity is not expected to materially impact the design or structure of the program, and a formal governance arrangement was approved by the CSSP Board during its September 2022 meeting. Additionally, this partnership is expected to include additional states in the future, making Colorado a national leader in facilitating state efforts to promote retirement security.

Unclaimed Property

The Unclaimed Property program was established in 1987, codified at §38-13-101, C.R.S., et seq., to locate owners of dormant or abandoned property and return their property to them or their heirs. The law was expanded subsequently to include all types of companies and business entities, with limited exceptions. The law also covers public institutions, including courts, municipalities, most governmental subdivisions/agencies, public corporations or authorities, non-profit entities, hospitals, utilities, estates, trusts, or any other legal or commercial entity.

The General Assembly enacted the Revised Uniform Unclaimed Property Act (RUUPA) in 2019; and it became effective on July 1, 2020. The new Act modernizes the way the division and holders communicate information about lost property to owners. It expands the types of properties to be reported, while clarifying new exempt properties. The Act sets clear boundaries for third party auditors, providing holders an appeal process and requiring more transparency. Because this Act was a uniform act, it has aligned Colorado with six other states that have passed a version of the act. Additional states continue to consider passing a version of the act.

The Unclaimed Property Division includes a small internal audit team that is charged with ensuring holder compliance with the reporting requirement. This team provides seminars to educate Coloradoans and businesses about the Unclaimed Property Act and the related compliance responsibilities. In FY 2021-22, the division held seven seminars and outreach programs. The seminars reached 400 people, from industries such as auto dealers, CPA firms, banks and credit unions, retail businesses, restaurants, medical and dental clinics, school systems, hospitals, and municipal governments. In addition to field audits where the auditors conduct onsite audits, the audit team conducts “Desk Audits”. The Desk Audit Program is designed to improve unclaimed property compliance by contacting non-compliant companies and providing them with information about the Colorado Unclaimed Property Program. Businesses are contacted by email, telephone, letter, and questionnaire and are encouraged to review their records for potential unclaimed property. The auditors then assist the business with reporting their unclaimed property.

The Division did not initiate any field audits during FY 2021-22. The Desk Audit Program focused on mortgage, distribution, logistics, medical, and the construction industry. Desk audit collections in FY 2021-22 totaled approximately $343,000. In addition to the audits performed, the audit team processed business claims because many businesses have complex ownership. This can include mergers and acquisitions and require background research. The Division also uses seven outside auditing companies to conduct examinations of large national businesses. In FY 2021-22, new five-year contracts were issued to each of the auditing companies. In FY 2021-22, the Division authorized these companies to begin 22 general ledger audits.

Since the program’s inception, the Treasury has returned more than $600 million to owners and heirs. Colorado businesses typically identify millions of dollars of unclaimed property during the reporting process. In many cases these businesses contact the property owners and return the money directly to them rather than transferring it to the Treasury. With these dual efforts owners or their heirs have had their unclaimed property returned to them.

In FY 2021-22, the Unclaimed Property Division returned approximately $51.72 million to 55,138 claimants. The division continues to leverage a new Unclaimed Property software program that has improved the tracking of claims and the information flow to and from claimants and the Division. Administrative rulemaking was completed in November 2021 to revise the notary requirement threshold for claimants from $100 to $1,000. This has simplified the return process, allowing more claimants to be electronically approved for payment through the Division's website without manual review.

The enhanced website brings in more inquiries and allows the Division to manage more claims, lessening the handling of paper requests. The site allows claimants to easily submit their claims online, uploading documentation easily from their smartphones. If additional documentation is requested by the Division, the workflow allows a claimant to be contacted by email. This reduces mailing and postage costs and speeds up the processing time to pay a claimant. If additional paperwork is needed, the claimant can easily add documentation via the same website upload process. The website also provides a status on the claim so that claimants can review when their claim has been paid.

The claims team continues to do proactive outreach to potential owners. 76,741 notifications were sent to potential owners via letter, postcard, or email. In addition, the team locates and reaches out to potential claimants to assist with the claims process.

The Division currently maintains about 11.5 million properties, including $1.43 billion in assets and 457 million shares.

The Colorado Unclaimed Property website allows holders to report electronically no matter the number of reports. In the past, only the larger holders reporting could utilize the website, but now manual reporting for smaller reports typically consisting of 20 items or fewer allows smaller reports to be filed efficiently without the requirement of reporting software. In order to streamline processing and add security, the Division no longer allows reports to be submitted via CD, paper reports, diskettes, or emailed submissions in order to streamline processing and add security. Only checks should be received via mail, and the Division continues to encourage ACH transfers as the safest and most efficient form of payment, resulting in a much faster processing time, while eliminating checks getting delayed or lost in the mail. 4,267 checks were scanned and deposited for reporting year 2021, totaling $72.4 million. 2,017 wire transactions were received totaling $94.7 million.

Until June 30, 2020, §38-13-115, C.R.S. required the Treasurer to sell unclaimed securities held by a third party. In FY 2004-05, Treasury began a liquidation process of unclaimed securities as required by statute. More than $51 million from the first two sales of securities was deposited into the newly created Unclaimed Property Tourism Promotion Trust Fund in FY 2004-05. Additional funds totaling approximately $8 million were deposited in September 2005 and approximately another $5 million was deposited in September 2006. Sales were suspended due to turbulent fiscal conditions and resumed in FY 2009-10 when the sale of securities resulted in collections of nearly $39 million. In FY 2011-12, the sale was completed in September 2011; and the sales from one year of security holdings totaled $6.8 million. In

September 2012, the sales of securities totaled $9.0 million; in September 2013, the sales totaled $13.9 million; and in October 2014, the sales totaled $17.0 million.

In October 2015, the sales totaled $12.2 million; in October 2016, the sales totaled $12.6 million. In both October 2017 and October 2018, security sales totaled $17.0 million. In October 2018, approximately $15 million in securities were sold with October 2019 security sales totaling $14.9 million. Beginning on July 1, 2020, RUUPA (§38-13-701, C.R.S.) requires securities be sold after being held for three years by the Division. This is a significant change as the previous act required securities to be sold after one year. Sales are expected to resume in October 2022.

The Department's Investment Division manages the Unclaimed Property Tourism Promotion Trust Fund as a separate account. Section 38-13-801.5, C.R.S. continues the previous act's creation and division of funds for this trust fund. The allocation of the interest earned is as follows:

- 25% to the Colorado State Fair Authority Cash Fund
- 65% to the Agriculture Management Fund
- 10% to the Colorado Travel and Tourism Promotion Fund

RUUPA provisions (§38-13-902.1 – 902.3, C.R.S.) direct the Treasury to review all approved claims that exceed $600 for possible interception to satisfy human services, judicial and revenue obligations. The Division's software electronically validates whether a claimant owes funds to the Department of Human Services (DHS), the Judicial Department (JUD), or the Department of Revenue (DOR). The total dollar amount of "Intercepted" claims by department in FY 2021-22 was as follows: JUD $2,846; DHS $14,240; and DOR $600,438.

Throughout the year, the Unclaimed Property Division also receives and processes unclaimed safe deposit boxes. In FY 2021-22, the total number of safe deposit boxes reported was 569, with 3,243 items inventoried, and 317 items returned. There were no auctions conducted as eBay changed their account payment practices. This will be reviewed in the upcoming year to determine if small eBay auctions can be reinstated. The Division has continued contacting and requesting outstanding safe deposit boxes' contents from financial institutions.

The Division continues to work from home, which began on March 17, 2020. Mail is gathered and scanned so that claims can be remotely processed. The claims team communicates with claimants via email or returns calls from home. The compliance team processes holder reports and intermittently visits the office to scan needed paperwork to complete their research. The team also visits the office to receive and inventory safe deposit items. The audit team has worked audits remotely and has coordinated webinars.

Special Purpose

The special purpose programs include the Property Tax Deferral Program for Seniors and Active Military Personnel, the Senior Citizen and Disabled Veteran Property Tax Exemption Program, the Property Tax Reimbursement for Property Destroyed by Nature, and Highway Users Tax Funds.

Property Tax Deferral Program for Seniors and Active Military Personnel

This program provides loans to pay the property taxes for qualified Colorado citizens who apply. During the 2002 legislative session, sections 39-3.5-105.5 and 105.7, C.R.S. were revised, changing the funding of this program from a General Fund appropriation to an investment (as a loan to the taxpayer). Liens are placed on the property, and interest is calculated annually. The interest rate floats with the 10-year Treasury note, changing each year in February as statute requires. The current rate is set at 1.75%. There are no limits to the number of applications the Department may receive, and there are limited eligibility requirements. As of June 30, 2022, Treasury had 678 participants in the program. The Treasury uses an Access database to manage this program. Additionally, the Treasury uses an annual self-verification process to monitor existing participants thus ensuring their continued eligibility for the program.

Senate Bill 21-293 expanded the program to all Coloradans who meet certain qualifications. Senate Bill 22-220 detailed the expansion of the program. The Treasury issued a request for proposal in May 2022 and has contracted with a third party administrator, CoreLogic, who will work with the Treasury to create and manage the program, which includes centralizing applicant data and building an online application and portal. The Treasury will hire one full-time employee to manage the accounting and reimbursement piece. The application will be live January 2023.

Senior Citizen and Disabled Veteran Property Tax Exemption
Created by the passage of Referendum A, which voters approved by the voters in November of 2000 (codified at §39-3-201, C.R.S., et seq.), this program originally exempted one-half of the first $200,000 of a home's value from property taxation for citizens over the age of 65 who have lived in their current homes for at least 10 years. It also applies to surviving spouses of qualified taxpayers. The first payment to counties was made in April of 2003. The Treasury, in conjunction with the Department of Local Affairs, has developed and maintains an extensive database for the program to ensure that distributions are correctly calculated and disbursed.

Referendum E, approved during the 2006 general election, allows the senior homestead exemption to be extended to veterans who have a service-connected disability that has been rated as 100% permanent, as well as to their surviving spouses. See §39-3-202, C.R.S.

Property Tax Reimbursement for Property Destroyed by Nature
House Bill 14-1001 created this program by adding §39-1-123, C.R.S. The statute establishes a state reimbursement for certain property taxes owed or paid for real property and business personal property that has been destroyed in a natural disaster or by another cause beyond the control of the property owner. The program applies to tax years starting on or after January 1, 2013; and the appropriation through FY 2019-20 was $2,221,828; however, in FY 2020-21, the appropriation was reduced to $725,000. In FY 2021-22, the initial appropriation was $1 million; however, due to the nature and severity of numerous wildfires, a $3.7 million supplemental request was granted in early 2022, bringing the full appropriated amount to $4.7 million. Treasury anticipates that the demand on this program will continue. The current FY 2022-23 appropriation is $1 million.

Highway User Tax Funds (HUTF)
The annual calculation, allocation and distribution of HUTF to Colorado counties and municipalities, and to the Department of Transportation are Treasury responsibilities. Estimates for future HUTF disbursements are based on projections from the Governor's Office of State Planning and Budgeting.

On March 2, 2009, the Funding Advancements for Surface Transportation and Economic Recovery (FASTER) bill was signed into law. See §43-4-801, C.R.S., et seq. FASTER generates additional revenues for statewide transportation improvements. Revenues generated from the Road Safety Surcharge, Oversize/Overweight Surcharge, Rental Car Surcharges, and late vehicle registration fees are credited to the HUTF and distributed per statute to the Department of Transportation, counties, and municipalities.

Other Programs

Charter School Intercept and Moral Obligation Program

Section 22-30.5-406, C.R.S. allows a charter school entitled to receive monies from the State to request that the State Treasurer make direct payments of principal and interest on capital construction bonds on its behalf. This program enhances the charter school's ability to obtain favorable financing terms on its bonds. The Treasury withholds the monies needed to make these payments from the monthly equalization payments to the Charter Authorizer. The Treasurer will only perform an intercept for a charter school that receives sufficient state equalization money to cover the entire annual amount of the principal and interest payments. As of June 30, 2022, Treasury had 102 participants in the intercept program.

In addition to this intercept program, the Treasury oversees a subprogram: the "Moral Obligation Program." This program enhances the credit of a "qualified charter school." A qualified charter school is one that has obtained an investment grade credit assessment on a "stand alone" basis. The enhancement enables these qualified schools to obtain more favorable financing terms on their capital construction bonds. The program is funded from a separate source of monies from which the Treasury would make bond payments in the case of a default by a charter school. Section 22-30.5-407, C.R.S. created the State Charter School Interest Savings Account within the State Charter School Debt Reserve Fund. Each qualified charter school allowed into this program annually pays ten basis points of the principal amount of bonds outstanding into this fund. As of June 30, 2022, the fund had a balance of $7.6 million.

In the event that a default occurs that exhausts the balance in the fund, as well as the $7.5 million appropriated in FY 2002-03 and FY 2014-15 from the State Education Fund, the statute directs the Governor to notify the General Assembly so that it may consider whether to appropriate funds to pay off the bonds. This last element is the "moral obligation" aspect of the program. Failure by the State to make such an appropriation could have a substantial negative effect on the State's credit and almost certainly interfere with its ability to issue certificates of participation. The statutory cap of the outstanding value of the bonds issued by charter schools under this program is currently $750 million.

K-12 School District Intercept Program

The program created by §22-41-110, C.R.S. requires the Treasurer to make timely payments of principal and interest on school district bonds if the district is unable to do so. In such an instance, the State recovers the amount by withholding the State's share of the district's total program funding and/or from school district property tax and specific ownership tax revenues. This program has resulted in school districts across the State receiving greatly enhanced bond ratings. The program, created in 1991, automatically covers all school districts except those that have expressly opted out of the program. Since the program's inception, no school district bonds have been opted out, and Treasury has never needed to make a bond payment on behalf of a school district. As of June 30, 2022 the outstanding value of the bonds issued under the school district intercept program was approximately $11.3 billion.

Higher Education Intercept Program

Based on the success of the State's school district intercept program, in 2008 the legislature created a parallel program for Colorado state-supported institutions of higher education revenue bonds, enacted as §23-5-139, C.R.S. In this program, the Treasurer is required to make timely payments of principal and interest on revenue bonds issued by qualified state-supported institutions of higher education if the institution is unable to do so. If such a payment is made, it is recovered by withholding equivalent amounts from the institution's payments of the State's fee-for-service contract with the institution, from any other State support for the institution, and from any unpledged tuition monies collected by the institution. Senate Bill 22-121 increased the amount of tuition monies that can be considered as pledged revenues from 10% to 100%. With this security in place, the State's public institutions of higher education receive greatly enhanced ratings on their bond issues. Unlike the school district program, institution bonds must meet certain qualifications to be covered by the program as specified in §23-5-139 (1)(b), C.R.S. As of June 30, 2022, there were nine institutions of higher education participating and the outstanding value of the bonds issued under the higher education intercept program was approximately $1.4 billion.

DEPARTMENT OF THE TREASURY PERFORMANCE GOALS

Accounting Division

Performance Goal: Mitigate risk of losing institutional knowledge by creating a knowledge base of procedure documents and establishing a succession planning framework by 2024.

Performance Indicators:

- [ ] Identify key positions and processes
- [ ] Update, revise, or create technical procedures
- [ ] Create succession planning action plans
- [ ] Align training and development opportunities to operational goals
- [ ] Drive efficiencies through continuous process improvement

CLIMBER Loan Program

Performance Goal: Keep CLIMBER operational after 2024 as a regular state program within the Office of Economic Development and International Trade (OEDIT).

Performance Indicators:

- [ ] Identify continued sources of funding
- [ ] Identify continued banking support
- [ ] Modify legislation or adopt a new policy to make the program ongoing

Debt Management

Performance Goal: Include more Environmental, Social, and Governance (ESG) disclosure and reporting as it relates to public financing as part of department policy and procedures.

Performance Indicators:

- [ ] Research ESG frameworks
- [ ] Modify official statements
- [ ] Calculate what is impacted by each financing

Investment Division

Performance Goal: Develop and propose an equitable compensation plan to continue to attract and retain qualified investment professionals to work for the Colorado State Treasury.

Performance Indicators:

- [ ] Identify and survey 10-15 top state treasuries managing more than $10 billion in fixed income assets
- [ ] Develop data and complete the survey by working with National Association of State Treasurers (NAST), Sovereign Wealth Funds (SWF), and Colorado State Treasury Human Resources (CST HR)
- [ ] Summarize pay plans for CIO, research analysts, traders, operations analysts
- [ ] Propose recommendations to the CST presenting competitive, equitable compensation plans for investment professionals based on peer review

SecureSavings Program

Performance Goal: Build the Colorado Secure Savings Program into one of the most successful retirement systems in the United States.

Performance Indicators:

- [ ] Number of enrollees in funded accounts
- [ ] Additional state partnerships
- [ ] Marketing and Outreach Strategy implementation
- [ ] Enforcement with Colorado Department of Labor and Employment (CDLE)
- [ ] Direct engagement with 1099 and self-employed populations

Unclaimed Property

Performance Goal: To return 70,000 claimants' funds representing $90 million over the next two fiscal years.

Performance Indicators:

- [ ] Review all claims within the 90-day statute requirement. This includes approving, denying or responding to claimants requesting additional documentation within 90-days of receipt of the documentation. Intake and process a monthly average of 85% (or greater) of calls that come into the division's claim hotline

- [ ] Deposit unclaimed property holder checks within two weeks of receipt
- [ ] Reconcile at least 50% of new holder reports within three months of receipt
- [ ] Send out documentation for 40 desk audits. Complete the review of reporting for these holders to confirm compliance of unclaimed property
- [ ] Authorize 40 third party audits
- [ ] Manage and collaborate with contractors for successful reporting, maintenance and return of Unclaimed Property.